

# Entrepreneurship

## Unit 2.2: Analyzing a business's competitors and industry (KEY)

### 1. The Purpose of Competitive Analysis

- *Explains the market positions of both company's direct and indirect competitors.*
- *Uncovers new business opportunities by pinpointing where customer needs are not yet being met.*

### 2. What is a Niche?

*A small, specialized segment of the market based on customer's needs.*

### 3. Competitive Overview: The first step in creating competitive analysis is to research one's top direct and indirect competitors.

- Direct competitors: Offer similar products
- Indirect competitors: Offer close substitutes that meet the same basic need

### 4. How do I "Research" Competitors?

- Identify your top direct competitors.
- Identify your top indirect competitors.
- State the locations of your top competitors and the number of years in business.
- Describe the primary markets or market segments your competitors serve.
- Describe the primary products and services your competitors sell and how much they sell, if known, in units or sales dollars.

### 5. The Value Proposition

The second step in the competitive overview is to analyze your top direct and indirect competitors in greater detail to determine their strengths and weaknesses.

### 6. What things must you evaluate to determine the "Value Proposition?"

*Evaluate your competitors':*

- 1. product or service selection, quality, and availability*
- 2. promotional strategies, including advertising, branding, packaging, and labeling strategies*
- 3. pricing policies and pricing structures*
- 4. customer service and after-sale service policies*

## 7. Five Industry Forces that Affect Your Business

1. Barriers to Entry: Conditions or circumstances that make it difficult or costly for outside firms to enter a market to compete with the established firm or firms. Existing businesses may bar new companies from certain distribution channels.
2. Threats from Substitute Products: Competing with other competitors in your area that offers similar products that satisfy the same “basic” need.
3. Sources of Supply may affect costs, pricing, and sales:  
Access to affordable sources of inventory, raw materials, and goods;  
Where your suppliers located;  
What trade discounts they offer;  
Availability of alternative sources.
4. Buyers’ Ability to Bargain: In industries where large discount buyers (i.e., Walmart) have bargaining power, a new business may have difficulty gaining a foothold. Small businesses usually compete by offering **personalized service and customized products.**
5. Technology: Allows companies to improve their business processes. Companies that use technology to operate effectively and efficiently are more likely to remain competitive.

## 8. To gain Competitive Intelligence, you should:

- Visit competitors’ outlets
- Buy your competitors’ products
- Search the Internet and your competitors’ websites

## 9. Each industry has basic characteristics or demographics. List a few examples:

Number of companies  
Annual revenues  
Average size of the companies by number of employees.

## 10. Define these terms:

Competitive Analysis: Explains the market positions of both company’s direct and indirect competitors; uncovers new business opportunities by pinpointing where customer needs are not yet being met.

Direct Competitors: Offer similar products

Indirect Competitors: Offer close substitutes that meet the same basic need

Industrial Markets: A group of customers who buy products or services for **business** to use; (not consumer-based)

**\*\*Industry Trends:** Trends or patterns of change. (e.g., Rates of sales growth, government

**regulations, industry volatility, difficulty to enter the industry).**

Industry Characteristics: Basic characteristics of industry, including; number of companies, annual revenues, and average size of companies.

\*\*Will need to find this term in glossary.